

## CHAPTER 7

### ACCOUNTING AND RECORDKEEPING

#### I. INTRODUCTION.

This chapter will discuss how to establish and maintain financial and program records for your grant.

#### II. GRANTEE RESPONSIBILITIES.

You must be able to document how you spent your grant and accomplished the intended objectives and benefit in accordance with the contract and applicable State and federal laws. This section covers the required and recommended financial and program recordkeeping. The topics covered are:

##### A. Financial recordkeeping

1. Record of CDBG funds received
2. Record of CDBG funds disbursed
3. Documentation of CDBG expenditures
4. Accrued expenditures
5. Escrow accounts
6. Subsidiary records
7. Review of expenditures
8. Other files
9. Records retention

##### B. Program recordkeeping

1. Public information file
2. General reference
3. Financial management
4. Environmental review
5. Equal opportunity
6. Procurement
7. Construction contracts and labor standards
8. Relocation and Acquisition
9. Housing rehabilitation
10. Housing Acquisition - Homebuyer Programs
11. Economic development
12. Cost Categories for General Administration, Activity Delivery and Program Loan Activity

##### A. Financial recordkeeping. You must maintain a financial management system that provides accurate, current, and complete disclosure of the financial status of each

grant-supported activity. The system must be capable of generating any financial status reports required by the Department and include procedures for determining whether charges to the grant are reasonable, allowable, and allocable.

The following are the minimum requirements to account for your grant. You may use your jurisdiction's own accounting standards and procedures when they meet or exceed these minimal requirements.

1. Record of CDBG funds received: The CDBG funds received must be accounted for separately by grant and maintained so that the total CDBG funds received can be verified for any given period of time. Your accounting records must record the date the funds were received and be traceable to the bank account used. If account numbers are used, a separate account number should be set up for each grant.
2. Record of CDBG funds disbursed: Your disbursement of CDBG funds must be accounted for separately by grant and grant activity. For example, if you have two current grants, one general grant for housing rehabilitation and public works, and one economic development planning and technical assistance grant, you will keep separate expenditure accounts for each of the activities under each separate grant. You will need to record the date of payment, the name of payee and the warrant number and amount, and establish audit trails to the supporting source document.
3. Documentation of CDBG expenditures: All CDBG expenditures must be supported by source documentation such as invoices, timesheets, and travel claims. If the contract cost for a consultant, a CPA firm, engineering firm, or other organization is charged to the grant, keep with your financial files a copy of the contract, procurement procedures followed, and paid invoices (with supporting documentation for cost-reimbursement contracts).
4. Accrued expenditures: You are required to report accrued expenditures on the Financial and Accomplishment Report (FAR) submitted to the Department (see Chapter 10). Basically, accrued expenditures include bills paid as well as invoices that are not yet paid.
5. Escrow Account: Housing rehabilitation funds may be drawn and deposited into an **escrow account** if the construction contract between the property owner and the rehabilitation contractor specifically provides that payment to the contractor shall be made through an escrow account. No deposits to the escrow account shall be made until after the contract between the two parties has been executed. A single, interest-bearing account with a financial institution shall be used. Separate accounts for individual loans and grants are not allowed.

Only costs incurred by the contractor for the required rehabilitation work can be paid from the escrow account. Any funds not used within 22 working days must be transferred back to the program. Unused funds returned to the

program account should not be treated as program income. Other allowable costs such as administrative costs are not permissible uses of escrowed funds. Upon completion of all rehabilitation activities utilizing such a third party or grantee controlled account, return any unspent funds to your program account to complete additional rehabilitation activities. These funds are not to be treated as program income.

Any interest or investment revenue earned on these accounts, after deducting any service charges for the account, must be remitted to the Department at least quarterly.

6. Subsidiary records: If your local system does not allow you to account for the receipt and disbursement of CDBG funds to the level of detail required under items A.1 and 2 above, you should use subsidiary records to account for the grant funds. The subsidiary records must be supported and reconciled to the official accounting records. Subsidiary records can also be used to account for accrued costs reported to the Department.
7. Review of expenditures: You should have your local program staff review and approve vouchers and invoices to make sure the items are eligible costs pursuant to your contract and program regulations and that the cost is charged to the correct grant and program activity.
8. Other files: Besides the books listed above, your financial recordkeeping system should include correspondence between you and the Department regarding budget changes or authorizing any contract amendments, and the results and response to any fiscal monitoring findings. The State will monitor any files related to the grant including those of subrecipients, contractors and any administrative entity.
9. Records retention: All records pertaining to your CDBG grant must be retained for four years from: the date the final expenditure report is submitted by the grantee to the Department under the standard agreement; or completion and resolution of the audit and/or any litigation; whichever is later. If there are any litigation, claim, or audit findings that extend beyond this four-year period, you must retain the records until all litigations, claims, or audit findings involving the records have been resolved. Records for property acquired with grant funds shall be retained for five years after final disposition. Records for any displaced person shall be retained for four years from: the date the final expenditure report is submitted by the grantee to the Department under the standard agreement; the person has received a final relocation payment.

- B. Program recordkeeping**. An Accounting and Recordkeeping Checklist is available in Section VI, Supporting Materials. You may want to photocopy these pages and clip and use the applicable checklists for your filing system. All original contract documents should be kept in a fire-proof file with copies kept in other locations including the files noted on the Checklist. Some items should be kept in multiple

locations for ease of reference and use.

### III. **COMMON PROBLEMS.**

- Disorganized or missing files
- Inadequate accounting source documentation (invoices, timesheets, etc.)
- Inadequate accounting of receipts and disbursement of grant funds
- Indirect costs charged to grant without an approved indirect cost rate plan
- Inadequate procedures for verification of allowable costs
- Inadequate procedures for certifying subgrantee financial systems
- Inadequate separation of duties; i.e., person approving expenditures is also disbursing and recording

### IV. **DEPARTMENT'S ROLE.** The Department's fiscal staff will conduct an in-depth review of the grantee's financial management system for each grant, and are also available to assist in solving financial management problems as they occur.

CDBG staff review all program files during your grant monitoring visit and will offer suggestions for improvement as well as any required corrections.

### V. **REFERENCES.**

- State CDBG Regulations, Article 4, Grant Administration, Sections 7098 through 7124, provides uniform administrative requirements for grants to local governments.
- 24 CFR 85, referred to as the "HUD common rule," establishes administrative requirements for grants to local government.
- 24 CFR 570.489 sets requirements for fiscal controls and accounting procedures.
- 24 CFR 570.490 establishes general recordkeeping and retention requirements.
- Treasury Circular 1075, sets the policy for sound cash management practices.
- OMB Management Circular A-87 establishes principles and standards for determining costs applicable to grants, contracts, and other agreements with State and local governments.
- OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments describes the auditing requirements for local jurisdictions.

**VI. SUPPORTING MATERIALS**

Accounting and Recordkeeping Checklist.....	7-06
Cost Categories .....	7-22

## **ACCOUNTING AND RECORDKEEPING CHECKLIST**

### 1. **Public Information File** (kept for general public access):

#### **Binder 1** General reference (program wide – one copy only)

- \_\_\_ State CDBG Regulations
- \_\_\_ Federal CDBG regulations
- \_\_\_ CDBG NOFA(s) for all open grants
- \_\_\_ Program Income Reuse Plan
- \_\_\_ *Quarterly* Program Income Reports
- \_\_\_ *Annual* Program Income Reports
- \_\_\_ CDBG Grant Management Manual
- \_\_\_ CDBG Management Memoranda

#### **Binder 2** Grant specific

- \_\_\_ CDBG grant application as approved
- \_\_\_ Grant agreement (contract) as approved and amended
- \_\_\_ Loan Committee Reports (State Advisory or local committees, as apply)
- \_\_\_ Program Guidelines (if applicable)
- \_\_\_ Citizen Participation Requirements
  - \_\_\_ Availability of Funds notice
  - \_\_\_ Sign-in Sheet
  - \_\_\_ Minutes
- \_\_\_ Application Approval and Resolution
  - \_\_\_ Sign-in Sheet
  - \_\_\_ Minutes
- \_\_\_ Annual GPR Review
  - \_\_\_ Sign-in Sheet
  - \_\_\_ Minutes
- \_\_\_ Grant Closeout Notice
  - \_\_\_ Sign-in Sheet
  - \_\_\_ Minutes
- \_\_\_ CDBG Reports
  - \_\_\_ *Monthly* Fund Requests
  - \_\_\_ *Semi-Annual* Financial and Accomplishment Reports (FARs)
  - \_\_\_ *Semi-Annual* Economic Development Performance Reports (ED)
  - \_\_\_ *Annual* Grantee Performance Reports
  - \_\_\_ *Annual* Section 3 Reports
  - \_\_\_ Section 504 Compliance
  - \_\_\_ Lump Sum Drawdown (if applicable)

- \_\_\_ Monitoring and auditing letters
- \_\_\_ Monitoring and auditing responses
- \_\_\_ Written comments and responses regarding program activities
- \_\_\_ Closeout Documents

## 2. **Policy**

- \_\_\_ Personnel Handbook
- \_\_\_ Drug Free Workplace Policy
- \_\_\_ Fair Employment Policy/Posting
- \_\_\_ Fair Housing Policy/Posting
- \_\_\_ Procurement Policy
- \_\_\_ Equal Opportunity Employment Policy (employment and contracting)
  - \_\_\_ Title IV
  - \_\_\_ Section 504
  - \_\_\_ ADA
  - \_\_\_ Section 3
  - \_\_\_ Affirmative Action

## 3. **Procurement:**

- \_\_\_ Local Procurement Procedures
- \_\_\_ Small Purchase Method (\$100,000 or less/consultation)
  - \_\_\_ price quote documentation (at least three)
  - \_\_\_ scope of work
  - \_\_\_ verification of contract insurance
- \_\_\_ Competitive Sealed Bid (construction)
  - \_\_\_ Invitation for Bid (IFB)
  - \_\_\_ public notice
  - \_\_\_ mailing list of recipients
  - \_\_\_ bids received
  - \_\_\_ documentation of selection process, cost estimate evaluation/rating
  - \_\_\_ verification of contractor eligibility
  - \_\_\_ verification of contractor insurance
- \_\_\_ Competitive Proposal (over \$100,000)
  - \_\_\_ Request for Proposal (consulting) or
  - \_\_\_ Request for Qualifications (engineering/architectural services)
  - \_\_\_ public notice
  - \_\_\_ mailing list of recipients
  - \_\_\_ proposals received
  - \_\_\_ documentation of selection process (RFP only)
    - \_\_\_ cost estimate evaluation/rating
    - \_\_\_ “Best and Final” offers



- \_\_\_ documentation of selection process (RFQ)
  - \_\_\_ “most qualified” determination
  - \_\_\_ negotiation of fair and reasonable price
  - \_\_\_ verification of contractor insurance
- \_\_\_ Non-Competitive Proposals/Sole Source
  - \_\_\_ letter to Department summarizing justification
  - \_\_\_ documentation of sole source determination
  - \_\_\_ approval letter from Department
- \_\_\_ Other Options (in consultation with Department Representative)
  - \_\_\_ Subrecipient Agreement Checklist/documentation
  - \_\_\_ Joint Powers Agreement/M.O.U determination
  - \_\_\_ Continue existing contract/scope of work coverage documentation

#### **4. Contracts**

- \_\_\_ Program Operator/grants management
  - \_\_\_ signed contract/amendment
- \_\_\_ Consultant/marketing
  - \_\_\_ signed contract/amendment
- \_\_\_ Fiscal management
  - \_\_\_ signed contract/amendment
- \_\_\_ Training and Placement Agency/Income Verification
  - \_\_\_ signed contract/amendment
- \_\_\_ Engineering/Architectural Services
  - \_\_\_ signed contract/amendment
- \_\_\_ Construction Contract
  - \_\_\_ signed contract/amendment
- \_\_\_ Subrecipient Agreement
  - \_\_\_ signed contract/amendment
- \_\_\_ Joint Powers Agreement/M.O.U
  - \_\_\_ Resolution/amendment

#### **5. Financial Management**

- \_\_\_ CDBG Grant Agreement as approved, and any amendments
- \_\_\_ Project Budget and any amendments
- \_\_\_ Records of CDBG funds received and disbursed
- \_\_\_ Subsidiary records, if any
- \_\_\_ Invoices/source documentation of CDBG expenditures
- \_\_\_ Original fund requests
- \_\_\_ Lump Sum drawdown agreement (between jurisdiction and bank)
- \_\_\_ Lump Sum Drawdown Report
- \_\_\_ Semi-annual Financial and Accomplishment Reports
- \_\_\_ Annual Grantee Performance Reports
- \_\_\_ Correspondence regarding monitoring and audit findings

- \_\_\_ Annual audits submitted to State Controllers Office
- \_\_\_ Program Income accounting records
- \_\_\_ Fiscal closeout documents
  - \_\_\_ Certification letter
  - \_\_\_ Closeout FAR

6. **Environmental review:**

Planning and Engineering Activities (Categorically Exempt)

- \_\_\_ Form 58.6
- \_\_\_ Environmental Finding Form, marked Exempt

Non-invasive Activity (Categorically Excluded, not Subject to 58.5)

- \_\_\_ Form 58.6
- \_\_\_ Environmental Finding Form, marked Excluded, Not Subject to 58.5

.1 Rehabilitation or Acquisition Activity (no change in use, less than 20% change in size or capacity) (Categorically Excluded, Subject to 58.5)

- \_\_\_ Form 58.6
- \_\_\_ Statutory Worksheet for the Activity
  - \_\_\_ Letter sent to SHPO describing determination
  - \_\_\_ SHPO response letter
  - \_\_\_ FONSI (if required by secondary finding)
  - \_\_\_ NOI/RROF
  - \_\_\_ Filed public notice
  - \_\_\_ RROF
  - \_\_\_ Distribution List
  - \_\_\_ Public Comments and Responses
- \_\_\_ Environmental Finding Form, marked Excluded, Subject to 58.5
- \_\_\_ Documentation

(a)

(b) New Construction Activity (Environmental Assessment)

- \_\_\_ Form 58.6
- \_\_\_ Environmental Assessment including Statutory Worksheet
- \_\_\_ Letter sent to SHPO describing determination
  - \_\_\_ SHPO response letter
  - \_\_\_ FONSI (if required by secondary finding)
  - \_\_\_ NOI/RROF
  - \_\_\_ Filed public notice
  - \_\_\_ RROF
  - \_\_\_ Distribution List
  - \_\_\_ Public Comments and Responses
- \_\_\_ Environmental Finding Form, marked Environmental Assessment



(i) Finding of Significant Impact on Any Activity

- \_\_\_ Form 58.6
- \_\_\_ Environmental Impact Statement
- \_\_\_ Notice of Intent to Prepare an EIS Draft
- \_\_\_ Final EIS
- \_\_\_ Record of Decision
- \_\_\_ Documentation

(ii) Continuation Statement (if applicable)

(iii) Joint Memorandum of Understanding (if applicable)

**1. Wage Compliance:**

- \_\_\_ Requests for wage decisions and modifications
- \_\_\_ Applicable federal and State wage decisions
- \_\_\_ Bid documents and specifications with labor and EO provisions
- \_\_\_ Evidence of 10-day wage determination update
- \_\_\_ Evidence of bid advertising
- \_\_\_ Verification of contractors' eligibility
- \_\_\_ Notice of contract award and documentation of why selected
- \_\_\_ Authorization to execute weekly statement of compliance
- \_\_\_ Construction contracts with labor and EO provisions
- \_\_\_ Notice of start of construction
- \_\_\_ Performance and payment bonds
- \_\_\_ Minutes of pre-construction conference
- \_\_\_ Contractor's/subcontractor's certification re: Davis-Bacon, etc.
- \_\_\_ Copy of notice to proceed
- \_\_\_ Change orders as approved
- \_\_\_ Final inspections
- \_\_\_ Notice of completion
  
- \_\_\_ Grantee's D.O.L. notification of contracts and subcontracts awarded
- \_\_\_ Files for each contractor including:
  - \_\_\_ Contractor's and subcontractors' certifications
  - \_\_\_ Payrolls and Statements of Compliance for each week
  - \_\_\_ Employee interview records
  - \_\_\_ Trainee/apprentice program certification/registration
  - \_\_\_ Letters authorizing payroll deductions
  - \_\_\_ Letters authorizing fringe benefit funds
- \_\_\_ Related memos and correspondence

## 2. **Relocation and Acquisition:**

### Relocation:

- \_\_\_ Housing survey
- \_\_\_ Relocation diary
- \_\_\_ Completed household case record
- \_\_\_ Income certification
- \_\_\_ Notice of intent to displace
- \_\_\_ Relocation needs survey
- \_\_\_ Request for tax return
- \_\_\_ Notice of eligibility and conditional entitlement letters:
- \_\_\_ Temporary relocation
- \_\_\_ Targeted Income Group persons
- \_\_\_ Rental assistance
- \_\_\_ Non-tenured
- \_\_\_ Owner/occupancy
- \_\_\_ Relocation waiver
- \_\_\_ 90-day notice to vacate
- \_\_\_ Evidence of receipt of 90-day notice to vacate/relocate
- \_\_\_ Evidence of referrals to replacement housing
- \_\_\_ 30-day notice to vacate
- \_\_\_ Displacement property data
- \_\_\_ Comparable replacement property data
- \_\_\_ Record of inspection of replacement and referral units
- \_\_\_ Claim for actual moving expense
- \_\_\_ Moving service authorization household goods
- \_\_\_ Claim for moving expense by schedule and dislocation allowance
- \_\_\_ Claim for replacement housing payment
- \_\_\_ Interest differential worksheet
- \_\_\_ Computation of amount of price differential
- \_\_\_ Last resort housing plan and family data record
- \_\_\_ Relocation payable/eligible accounting sheet
- \_\_\_ Escrow instruction worksheet #1
- \_\_\_ Escrow instruction worksheet #2
- \_\_\_ Loan balance worksheet
- \_\_\_ Loan termination worksheet
- \_\_\_ Appeals, if filed, and disposition

### Acquisition:

- \_\_\_ Residential Antidisplacement and Relocation Assistance Plan
- \_\_\_ Comprehensive project list
- \_\_\_ Announcement
- \_\_\_ Notice of decision to appraise
- \_\_\_ Invitation for property owner to accompany an appraiser

- \_\_\_ Review of appraisal report
- \_\_\_ Statement of basis for determining just compensation
- \_\_\_ Written offer to purchase
- \_\_\_ Statement of settlement costs
- \_\_\_ Receipt for purchase price
- \_\_\_ If acquisition terminated, Notice of Intent Not to Acquire

### 3. **Housing**

#### **Rehabilitation:**

- \_\_\_ Program guidelines
- \_\_\_ Lump-sum drawdown reports

For each applicant household:

- \_\_\_ Completed loan application
- \_\_\_ Credit report
- \_\_\_ Mortgage verification
- \_\_\_ Income verification
- \_\_\_ Preliminary title report or lot book report
- \_\_\_ Appraisal
- \_\_\_ Hazard insurance binder
- \_\_\_ Floodplain insurance (if in floodplain)
- \_\_\_ Deed of trust
- \_\_\_ Promissory note
- \_\_\_ Truth-in-lending disclosure statement
- \_\_\_ Notice of right to rescind transaction
- \_\_\_ Notice of default for all loans listed on title report
- \_\_\_ Loan agreement
- \_\_\_ Fair lending notice
- \_\_\_ Documentation of any special circumstances that were considered when approving a loan/grant that do not comply with program guidelines or grant agreement (outside target area, etc.)
- \_\_\_ State Historic Preservation Office (SHPO) Determination of age of building and appropriate action taken
- \_\_\_ Affordability provisions, if applicable
- \_\_\_ Signed lead based paint notice
- \_\_\_ Inspection forms used to report deficiencies in unit
- \_\_\_ Work write-up/itemized costs
- \_\_\_ Sweat equity forms (record of type of labor, time, dollar valuation)
- \_\_\_ List of all contractors notified of rehabilitation bid opportunity
- \_\_\_ All bids submitted and evidence of review of cost reasonableness
- \_\_\_ Signed construction contract which includes:
  - \_\_\_ Equal opportunity provisions
  - \_\_\_ Liquidated damages clause
  - \_\_\_ Cancellation clause for nonperformance
  - \_\_\_ Payment schedule

- \_\_\_\_\_ Notice to all bidders regarding award
- \_\_\_\_\_ Verification of contractor's worker's compensation and liability insurance\*
- \_\_\_\_\_ Verification of contractor's license and eligibility\*
- \_\_\_\_\_ Record of contractor progress payments and payment approvals signed by all parties to the contract
- \_\_\_\_\_ Change orders for any work or costs different from that described in original specs and drawings signed by all parties to the contract
- \_\_\_\_\_ Notice of completion
- \_\_\_\_\_ Copy of building permit (with all signatures for approved work)
- \_\_\_\_\_ Reconstruction documents, if applicable:
- \_\_\_\_\_ After reconstruction appraisal including land and at least one comparable sale
- \_\_\_\_\_ Sale price (cite sources of data) of at least one comparable newly constructed home (including land) sold within the last 12 months within the jurisdiction. (If there are no newly constructed homes in the jurisdiction, contact your CDBG representative)
- \_\_\_\_\_ Cost estimates for reconstruction and rehabilitation
- \_\_\_\_\_ Evidence that the structure has been occupied during the preceding 12 months, or vacate order from the local building inspector
- \_\_\_\_\_ Signed reconstruction forms
- \_\_\_\_\_ State approval of reconstruction request

\* This document may be filed in a master contractor file rather than a copy filed in each loan/grant file.

**Acquisition - Homebuyer Programs:**

- \_\_\_\_\_ Homebuyer Program guidelines

For each homebuyer:

- \_\_\_\_\_ Completed loan application
- \_\_\_\_\_ Credit report
- \_\_\_\_\_ Copies of first lender's loan documents
- \_\_\_\_\_ Income verification
- \_\_\_\_\_ Preliminary title report or lot book report
- \_\_\_\_\_ Appraisal
- \_\_\_\_\_ Hazard insurance binder
- \_\_\_\_\_ Floodplain insurance (if in floodplain)
- \_\_\_\_\_ Jurisdiction's Loan Documents:
- \_\_\_\_\_ Deed of trust
- \_\_\_\_\_ Promissory note
- \_\_\_\_\_ Truth in lending disclosure statement
- \_\_\_\_\_ Notice of right to rescind transaction
- \_\_\_\_\_ Notice of default for all loans listed on title report
- \_\_\_\_\_ Loan agreement
- \_\_\_\_\_ Fair lending notice
- \_\_\_\_\_ Documentation of any special circumstances that were considered when approving a loan/grant that do not comply with program guidelines or grant

- \_\_\_\_\_ agreement (outside target area, etc.)
- \_\_\_\_\_ Inspection forms used to report deficiencies in unit
- \_\_\_\_\_ Signed lead based paint notice
- \_\_\_\_\_ If acquisition with rehabilitation:
- \_\_\_\_\_ Work write-up/itemized costs
- \_\_\_\_\_ Sweat equity forms if applicable (record of type of labor, time, dollar valuation)
- \_\_\_\_\_ List of all contractors notified of rehabilitation bid opportunity
- \_\_\_\_\_ All bids submitted and evidence of review of cost reasonableness
- \_\_\_\_\_ Signed construction contract which includes:
- \_\_\_\_\_ Equal opportunity provisions
- \_\_\_\_\_ Liquidated damages clause
- \_\_\_\_\_ Cancellation clause for nonperformance
- \_\_\_\_\_ Payment schedule
- \_\_\_\_\_ Notice to all bidders regarding award
- \_\_\_\_\_ Verification of contractor's worker's compensation and liability insurance\*
- \_\_\_\_\_ Verification of contractor's license and eligibility\*
- \_\_\_\_\_ Record of contractor progress payments and payment approvals signed by all parties to the contract
- \_\_\_\_\_ Change orders for any work or costs different from that described in original specs and drawings signed by all parties to the contract
- \_\_\_\_\_ Notice of completion
- \_\_\_\_\_ Copy of building permit (with all signatures for approved work)
- \_\_\_\_\_ If acquisition with reconstruction:
- \_\_\_\_\_ After-reconstruction appraisal including land and at least one comparable sale
- \_\_\_\_\_ Sale price (cite sources of data) of at least one comparable newly constructed home (including land) sold within the last 12 months within the jurisdiction. (If there are no newly constructed homes in the jurisdiction, contact your CDBG representative)
- \_\_\_\_\_ Cost estimates for reconstruction and rehabilitation
- \_\_\_\_\_ Evidence that the structure has been occupied during the preceding 12 months, or vacate order from the local building inspector
- \_\_\_\_\_ Signed reconstruction forms
- \_\_\_\_\_ State approval of reconstruction request

This document may be filed in a master contractor file rather than a copy filed in each loan/grant file.

#### **4. National Objective/Public Benefit – General Program:**

- \_\_\_\_\_ Demographic data re: target area and beneficiaries
- \_\_\_\_\_ Job recruitment, training, and hiring documents
- \_\_\_\_\_ Demographic data re: employees, applicants, and interviewees
- \_\_\_\_\_ Minority and women-owned business solicitation lists
- \_\_\_\_\_ Fair Housing activity documentation
- \_\_\_\_\_ Section 3 documentation, records and reports
- \_\_\_\_\_ Department of Labor forms re: construction contracts over \$10,000



- \_\_\_ Section 504 compliance self-evaluation and documentation
- \_\_\_ TIG minorities and women hires
- \_\_\_ Affirmative action goals

## 5. **Economic Development:**

### a) **Credit Review File**

- \_\_\_ Underwriting documentation
- \_\_\_ Loan Committee Credit Analysis and Funding Recommendation
- \_\_\_ Board Minutes
- \_\_\_ Long Approval with terms/special conditions

#### *Article II. BUSINESS UNDERWRITING*

- \_\_\_ Brief history of the business.
- \_\_\_ Business Plan (for businesses less than three years old). Include resumes of principals, market analysis, marketing strategy, and impact on local competitors.
- \_\_\_ Commitment Letter(s) from all other funding sources, including proposed
- \_\_\_ Correspondence indicating the status of the availability of other funding sources.
- \_\_\_ Past three years business financial statements (balance sheets and income statements), including all notes and disclosures.
- \_\_\_ Current Business Financial Statements (less than 60 days old).
- \_\_\_ Current Business Debt Schedule (corresponds to current balance sheet).
- \_\_\_ Aging of Accounts Receivable
- \_\_\_ Aging of Accounts Payable
- \_\_\_ Projected Business Debt Schedule (with CDBG and other new debt).
- \_\_\_ Past three years business Federal income tax returns, complete copies.
- \_\_\_ Monthly Income Projections for Two Years, with and without CDBG.
- \_\_\_ Annual Income Projections for five years with and without CDBG (for businesses less than three years old).
- \_\_\_ Current Personal Financial Statement of principal with 20 percent or more ownership (less than 60 days old).
- \_\_\_ Past three years personal Federal tax return (complete copies) for each principal with 20 percent or more ownership.
- \_\_\_ Credit report on each principal with 20 percent or more ownership.
- \_\_\_ Letters of commitment concerning the equity injection, reflecting how it will be obtained and appraised.
- \_\_\_ Draft CDBG Loan Agreement.
- \_\_\_ Third party cost estimates, including documentation of the cost of real property, acquisition, construction/rehabilitation, and/or equipment costs.
- \_\_\_ Appraisals of real property.

Article III. DEVELOPER UNDERWRITING

- \_\_\_ Brief history of the business
- \_\_\_ Development Plan. Include resumes of principals, market analysis and marketing strategy, and impact on other local development projects.
- \_\_\_ Copy of the application to all other funding sources, including all documentation.
- \_\_\_ Commitment Letter(s) from all other funding sources, including proposed terms.
- \_\_\_ Correspondence indicating the status of the availability of other funding sources.
- \_\_\_ Past 3 years Developer business financial statements (balance sheets and income statements), including all notes and disclosures.
- \_\_\_ Current Developer business financial statements (less than 60 days old).
- \_\_\_ Current Developer business debt schedule (corresponds to current balance sheet).
- \_\_\_ Projected Developer business debt schedule (with CDBG and other new debt).
- \_\_\_ Past three years Developer business Federal income tax returns, complete copies.
- \_\_\_ Monthly Developer income projections for two years, with and without CDBG.
- \_\_\_ Annual Developer income projections for five years with and without CDBG (include an internal rate of return analysis).
- \_\_\_ Current personal financial statement of principal with 20 percent or more ownership (less than 60 days old).
- \_\_\_ Past three years personal Federal tax return (complete copies) for each principal with 20 percent or more ownership.
- \_\_\_ Credit report on each principal with 20 percent or more ownership.
- \_\_\_ Letters of commitment concerning the equity injection, reflecting how it will be obtained and appraised.
- \_\_\_ Draft Development/Loan Agreement.
- \_\_\_ Draft Lease Agreement(s).
- \_\_\_ Start-up business tenant: a business plan, pro forma balance sheets and income statements, most recent personal Federal tax return and financial statements for principals with 20% or more ownership
- \_\_\_ Tenant with existing business relocating or expanding to the development: a brief history of the business, last 3 years business Federal income tax return, last 3 years business balance sheets and income statements, current business balance sheet and income statement (less than 60 days old).
- \_\_\_ Third party cost estimates, including documentation of the cost of real property, acquisition, construction/rehabilitation, and/or equipment costs.
- \_\_\_ Evidence of site control.
- \_\_\_ Appraisals of real property.
- \_\_\_ Resume of the managing agent.

1) INFRASTRUCTURE UNDERWRITING

- \_\_\_ Copy of the application to all other funding sources, including all documentation.
- \_\_\_ Commitment Letter(s) from all other funding sources, including proposed terms.
- \_\_\_ Correspondence indicating the status of the availability of other funding sources.
- \_\_\_ Third party cost estimates, including documentation of the cost of real property, acquisition, construction/rehabilitation, and/or equipment costs.
- \_\_\_ Evidence of site control.
- \_\_\_ Appraisals of real property.
- \_\_\_ Brief history of the business.
- \_\_\_ Business Plan (for businesses less than 3 years old). Include resumes of principals market analysis and marketing strategy, and impact on local competitors.
- \_\_\_ Past 3 years business financial statements (balance sheets and income statements), including all notes and disclosures.
- \_\_\_ Current Business Financial Statements (less than 60 days old).
- \_\_\_ Current Business Debt Schedule (corresponds to current balance sheet).
- \_\_\_ Projected Business Debt Schedule (with CDBG and other new debt).
- \_\_\_ Past three years business Federal income tax returns, complete copies.
- \_\_\_ Monthly Income Projections for Two Years, with and without CDBG (for businesses less than three years old, or businesses establishing a local operation of a multi-branch operation).
- \_\_\_ Annual Income Projections for five years with and without CDBG (for businesses less than three years old, or businesses establishing a local operation of a multi-branch operation).
- \_\_\_ Current Personal Financial Statement of principal with 20 percent or more ownership (less than 60 days old).
- \_\_\_ Past three years personal Federal tax return (complete copies) for each principal with 20 percent or more ownership.
- \_\_\_ Credit report on each principal with 20 percent or more ownership.
- \_\_\_ Letters of commitment concerning the equity injection, reflecting how it will be obtained and appraised.
- \_\_\_ Draft Loan Agreement.
- \_\_\_ Letter from the community from which the business is relocating, indicating it has been notified about the impending relocation, and providing its comments.
- \_\_\_ Discussion of Fair Share Allocation Methodology and outcomes of negotiations with benefiting businesses and property owners.
- \_\_\_ Description of mechanism(s) for ensuring public benefit and national objective compliance by future businesses benefiting from infrastructure improvements.
- i) INCUBATOR UNDERWRITING
  - \_\_\_ Feasibility study documenting the need and feasibility for a small business incubator.
  - \_\_\_ Incubator Guidelines. Include tenant selection criteria, tenant graduation policy, delivery plan for business assistance to tenants, marketing plan to

- attract tenants and experience/resume of managing agent.
- \_\_\_ Copy of the application to all other funding sources, including all documentation.
- \_\_\_ Commitment Letter(s) from all other funding sources, including proposed terms.
- \_\_\_ Correspondence indicating the status of the availability of other funding sources.
- \_\_\_ Monthly incubator income projections for two years, with and without CDBG.
- \_\_\_ Annual incubator income projections for 5 years with and without CDBG.
- \_\_\_ Projected incubator debt schedule.
- \_\_\_ Draft Lease Agreements.
- \_\_\_ Summary of collateral offered.
- \_\_\_ Third party cost estimates, including documentation of the cost of real property, acquisition, construction/rehabilitation, and/or equipment costs.
- \_\_\_ Evidence of site control.
- \_\_\_ Appraisals of real property.
- \_\_\_ Letters of intent to lease or pre-leases.
- \_\_\_ Start-up business tenant: a business plan, pro forma balance sheets and income statements, most recent personal Federal tax return and current financial statements for principals with 20 percent or more ownership.
- \_\_\_ Existing business tenant relocating or expanding to the development: a brief history of the business, last 3 years business Federal income tax returns, last three years business balance sheets and income statements, current balance sheet and income statement (less than 60 days old)

### **Loan Closing File**

- \_\_\_ Articles of Incorporation and Bylaws **or**
- \_\_\_ Partnership Agreement
- \_\_\_ Corporate Resolution to Borrower and Certificate of Secretary **or**
- \_\_\_ Partnership Agreement and Authorization to Borrow
- \_\_\_ Borrower's Opinion of Counsel (legal business with no pending lawsuits)
- \_\_\_ current business license
- \_\_\_ bank commitment letter
- \_\_\_ loan servicing agreement
- \_\_\_ loan agreement
- \_\_\_ subordination agreement if needed
- \_\_\_ promissory note
- \_\_\_ Security Agreement for personal property (M&E, INV and A/R) perfected with secretary of state or county court
- \_\_\_ UCCs and lien search (to be filed with county recorder)
- \_\_\_ Mortgage and Deed of Trust (to be filed with county recorder)
- \_\_\_ Title Report(s)
- \_\_\_ Appraisal
- \_\_\_ personal guarantee
- \_\_\_ Corporate guarantees (common ownership, showing management or control)

- \_\_\_ hazard insurance (lender as loss payee)
- \_\_\_ life insurance (lender as loss payee)
- \_\_\_ title insurance (lender as loss payee)
- \_\_\_ Certificate of good standing
- \_\_\_ evidence of equity commitment
- \_\_\_ Employment Agreement
- \_\_\_ inter-creditor agreement (states lien positions for each lender. Commits each lender to notify others in event of problems)
- \_\_\_ seller's note

### **Loan Tracking File**

- \_\_\_ Sources and Uses of Funds Form
- \_\_\_ Task and Budget Milestones
- \_\_\_ Amendments (if any) by loan
- Disbursement by loan
  - \_\_\_ Equity Deposit/verification
  - \_\_\_ Leverage Tracking Schedule (pro rata) including fair share payments
  - \_\_\_ Retention policy/construction projects
  - \_\_\_ Drawdown Checklist with approval date
  - \_\_\_ Record of CDBG funds received
  - \_\_\_ Record of CDBG funds disbursed
- Servicing/Monitoring by loan
  - \_\_\_ Billing Invoices by coupon book/monthly statement
  - \_\_\_ Copies of two-party checks
  - \_\_\_ Billing/payment status
  - \_\_\_ Record of payment history
  - \_\_\_ Covenant review (jobs to date)
  - \_\_\_ Restructuring
- Tickler System/due dates by loan
  - \_\_\_ Billing invoices
  - \_\_\_ Insurance premiums
  - \_\_\_ Property tax
  - \_\_\_ Updated personal and business financial statements
  - \_\_\_ UCC renewal dates
  - \_\_\_ Fair Share fee/Lease repayment schedule
  - \_\_\_ Quarterly Employment Report from business

## **1. National Objective/Public Benefit – Economic Development**

- \_\_\_ Income Guidelines (HUD or WIB)
- \_\_\_ Presumption Data (if applicable)
- \_\_\_ Copy of Executed Beneficiary and Employment Plan Agreement
- \_\_\_ Current Year Economic Development Progress Report
- \_\_\_ Small Business Loan Program
  - \_\_\_ Executed Three-Party Employment Agreement, by loan
  - \_\_\_ Executed Authorization for Family Income Certification, by loan
  - \_\_\_ Employee Referral/Income Verification records, by loan

- \_\_\_ *Quarterly* Employment Reports, by loan
- \_\_\_ Microenterprise Program
  - \_\_\_ Beneficiary Tracking Plan
  - \_\_\_ Application for Assistance
  - \_\_\_ Executed Authorization for Family Income Certification, by loan
- \_\_\_ Training Program Documentation
- \_\_\_ One-on-One counseling and development Records
- \_\_\_ Beneficiary summary tracking reports
- \_\_\_ Small Business Loan Program information, as outlined above, by loan

## 2. **Reporting**

- \_\_\_ copies of submitted Cash Requests
- \_\_\_ reporting calendar
- \_\_\_ *semi-annual* Financial and Accomplishment Reports (1/31, 8/15)
- \_\_\_ *quarterly* business employment report (E.D. per Employment Agreement)
- \_\_\_ *quarterly* Program Income Report (1/31, 4/30, 10/31)
- \_\_\_ *bi-annual* Economic Development Progress Report (4/30, 10/31)
- \_\_\_ *bi-annual* Wage Compliance Report (4/30, 10/31)
- \_\_\_ *annual* Grantee Performance Report (8/15)
- \_\_\_ *annual* Program Income Report (8/15)
- \_\_\_ *annual* Section 3 Report (8/15)
- \_\_\_ *Final* Fund Request (w/in 45 days of grant expiration)
- \_\_\_ *Final* Financial and Accomplishment Report (w/in 30 days of grant expiration)
- \_\_\_ *Final* Closeout Report (w/in 90 days of grant expiration)
- \_\_\_ Census data
- \_\_\_ County or City employment data
- \_\_\_ Equal Opportunity data (i.e., race, ethnicity, gender, handicap, age) on beneficiaries
- \_\_\_ Minority and women-owned business solicitation lists
- \_\_\_ Fair Housing activity documentation, as applicable
- \_\_\_ Section 3 documentation and records, as applicable
- \_\_\_ Department of Labor forms, re: construction contracts over \$10,000
- \_\_\_ Section 504 compliance self-evaluation and compliance documentation

## 3. **Program Income**

- \_\_\_ Adopted Reuse Plan (Checklist)
- \_\_\_ Quarterly Program Income Report
- \_\_\_ Repayment Tracking
  - \_\_\_ Funds committed to general administrative costs
  - \_\_\_ Funds committed to open grants
- \_\_\_ Funds committed to program income
- \_\_\_ Drawdown Approval Packet for Program Income revolve projects by loan (ED)
  - \_\_\_ Loan Agreement/Employment Agreement (ED)

- \_\_\_ Environmental Clearance submission to CDBG by loan
- \_\_\_ Environmental Clearance Documentation by loan
- \_\_\_ Environmental Clearance letter from CDBG by loan
- \_\_\_ Overlay documentation by loan
- \_\_\_ National Objective/Public Benefit documentation by loan
- \_\_\_ Income Verification (ED)
- \_\_\_ Drawdown Approval Packet for Program Income revolve infrastructure projects (ED)
  - \_\_\_ Fair Share Agreement/Employment Agreement (ED)
  - \_\_\_ Environmental Clearance submission to CDBG
  - \_\_\_ Environmental Clearance Documentation
  - \_\_\_ Environmental Clearance letter from CDBG
  - \_\_\_ Fair Share Repayment Schedule by project
  - \_\_\_ Overlay documentation by project
  - \_\_\_ National Objective/Public Benefit documentation by project
  - \_\_\_ Income Verification

#### **4. Monitoring**

- \_\_\_ Chapter 12 Grants Management Manual Checklist
- \_\_\_ HCD Monitoring letter
- \_\_\_ Response to Monitoring letter
- \_\_\_ Addendums
- \_\_\_ HCD clearance of findings letter
- \_\_\_ Sub-recipient monitoring (if applicable)
- \_\_\_ Emails and Phone Log (re: findings and proposed corrective actions)

**Cost Categories for General Administration,  
Activity Delivery, and Program Loan Activity**

<b>Costs</b>	<b>General Administration</b>	<b>Activity Delivery</b>	<b>Program Loan/Activity</b>
Advertisements	X	X	
Appropriate Fees	X	X	X
Attend Workshops (HCD)	X		
Bidders Conferences	X	X	X
Construction			X
Engineering Draw/Design	X	X	
Environmental Studies	X	X	
Fiscal Reporting	X		
General Coordination	X		
Indirect Costs	X	X	
Insurance Premiums	X	X	
Labor Standards	X	X	
Loan Processing*	X	X	
Loan Portfolio Management	X	X	
Meetings with Banks	X	X	
Meetings with Homeowners/Homebuyers	X	X	
Personnel Costs	X	X	
Predevelopment Costs	X		
Procurement	X	X	
Program Reporting to CDBG	X		
Project Inspections	X	X	
Relocation Costs	X	X	X
Work Write-ups	X	X	